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Message Text

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PAGE 01 STATE 157521

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TO AMEMBASSY KUWAIT PRIORITY

C O N F I D E N T I A L STATE 157521

EXDIS, KUWAIT HOLD FOR SECRETARY SIMON

FOLLOWING REPEAT ROME 9810 SENT ACTION SECSTATE DATED
16 JULY 1974:

QTE

C O N F I D E N T I A L ROME 9810

EXDIS

E.O. 11652: GDS
TAGS: EFIN, EAID, PFOR,
T
SUBJECT: SECRETARY SIMONS'S TALKING POINTS FOR FRG

REF: STATE 150802

1. EMBASSY WELCOMES OPPORTUNITY COMMENT ON REFTEL. IN OUR OB-
SERVATIONS, WE MAKE DISTINCTION BETWEEN (A) TALKING POINTS AS
DESIGNED TO BE PRESENTED TO FRG AND (B) OUR ESTIMATE ON SUBSTANCE.

2. AS REGARDS A, WE SUGGEST AN ADDITIONAL POINT ALONG FOLLOWING
LINES: ONE PRINCIPAL DIFFICULTY IN ASSEMBLING THE DOMESTIC RE-
STRAINT PROGRAM HAS COME FROM THE SOCIALISTS, LED BY FRANCESCO
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PAGE 02 STATE 157521

DE MARTINO WHO IN OUR VIEW EITHER DOES NOT UNDERSTAND PROBELM OR

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

DOES NOT WANT TO. WE KNOW THAT CONTACTS EXIST BETWEEN GERMAN AND ITALINA SOCIALIST PARTIES, AND THAT DE MARTINO HIMSELF HAS BEEN PRONE TO USE THESE INTER-PARTY CHANNELS TO PRESS PSI POINTS OF VIEW WITH ITS GERMAN COUNTERPART. IT HAS OCCURRED TO US THAT A LEADING GERMAN SOCIALIST MIGHT BE ABLE TO MAKE AN APPROACH TO DE MARTINO COMBINING PERSUASION AND HARD REALITIES. THIS LINE OF ACTION MIGHT BE MUCH MORE EFFECTIVE AND CONVINCING THAN GOVERNMENT TO GOVERNMENT DISCUSSIONS OF THE RESTRAINT PROGRAM, AND IN VIEW OF THE WESTERN STAKE IN ITALIAN STABILITY WE URGE THAT THIS SUGGESTION BE MADE NOW.

3. BOTH THE TIMING AND THE LEVEL OF AN APPROACH NOW BY SECRETARY SIMON ON THIS SUBJECT WOULD BE PERFECT. THERE ARE SOME INDICATIONS (ROME 9749) THAT THE PROGRAM MAY NOT BE SPEEDILY APPROVED AND IMPLEMENTED. AT PRESENT, THE SOCIALISTS ARE TALKING ABOUT RENEGOTIATING IT IN THE LEGISLATIVE PROCESS, DESPITE THE FACT THAT THE BROAD OUTLINES OF THE COALITION PROGRAM RECEIVED VOTE OF CONFIDENCE IN BOTH HOUSES OF PARLIAMENT ONLY TWO WEEKS AGO.

4. AS REGARDS PARA 1(B), WE OFFER THE FOLLOWING COMMENTS:

A. REVIEW BY THE IMF GOVERNOR'S COMMITTEE WILL BE POLITICALLY OBJECTIONABLE TO SOME ITALIANS, AMONG THEM MANY WHO ARE FULLY AWARE OF THE NEED FOR THE PROGRAM, WHO WOULD SEE IT AS AN UNPRECEDENTED EXAMPLE OF INTERFERENCE AND PRESSURE TACTICS. WE PRESUME, HOWEVER, THAT THE GOVERNMENT--THE PRESENT OR ITS LIKELY SUCCESSOR--WOULD WEATHER THE CRITICISM GENERATED.

B. WE ARE SCEPTICAL OF THE POSSIBILITY OF OBTAINING FINANCIAL SUPPORT FROM OIL PRODUCING COUNTRIES (SEE TEHRAN 5469 EXDIS). WHILE THERE MAY BE NO HARM IN ASKING THE ITALIANS TO TRY, WE SHOULD NOT ASSUME THEY WILL SUCCEED.

C. LINKING US PARTICIPATION IN FINANCIAL ASSISTANCE TO ITS SHARE IN ITALIAN IMPORTS INTRODUCES A CRITERION THAT COULD BE OPEN TO OBJECTION ON TWO GROUNDS: (A) SOME COUNTRIES--THOSE IN DEFICIT, LDCS, SOCIALIST COUNTRIES, AND SCATTERED MINOR IMPORT SOURCES--WILL NOT DO THEIR SHARE, LEAVING A LARGE SHORTFALL, AND (B) IT COULD BE INTERPRETED AS SELECTED TO MINIMIZE US PARTICIPATION. WE NOTE THAT WITH A US SHARE OF THE ITALIAN MARKET OF AROUND 10 PERCENT, OUR PARTICIPATION WOULD BE MUCH SMALLER THAN THE GOI WOULD EXPECT. WE REALIZE THIS MAY BE INITIAL STANCE FOR CONVERSATION WITH FRG BUT IF

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IT REFLECTS BY NECESSITY OR CHOICE PROBABLE SCALE OF US PARTICIPATION WE SHOULD BE PREPARED FOR DEEP DISAPPOINTMENT AND DISILLUSION, PARTICULARLY IN LIGHT OF THE LEVEL OF HOPE GENERATED BY SECRETARY KISSINGER'S VISIT ON JULY 5. VOLPE
UNQTE INGERSOLL

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